



### HOMEOWNERS IN MORE STABLE HOUSING MARKETS CONTINUED TO SPEND ON IMPROVEMENTS DURING REMODELING DOWNTURN

The recent release of the Department of Housing and Urban Development's 2009 American Housing Survey offers the first detailed look at the household level on the impacts of the recession and housing correction on home improvement spending. With the housing market struggling to recover from one of the worst downturns on record, homeowners cut back significantly on major investments in home improvements in 2008 and 2009.

Yet, remodeling market conditions differ significantly by locality, much like housing market conditions. Overall, homeowner improvement spending declined 17 percent from 2007-2009, but areas of the country that were more overbuilt and harder hit by house price declines such as outer-suburbs and exurbs saw improvement spending fall almost 30 percent compared to declines of 17 percent in city centers and inner-suburbs and 0.3 percent growth in non-metro areas. In fact, homeowners located in housing markets that experienced any amount of appreciation in house prices from 2007-2009 spent almost 40 percent more on average on home improvements than those who saw the value of their homes either hold steady or fall by any amount during this time period.

According to preliminary estimates by the Remodeling Futures Program, the total remodeling market size in 2009 was approximately \$289 billion—down about 11 percent from total spending in 2007. In fact, most segments of the remodeling market held fairly steady during the downturn, which helped buoy the market overall. However, the largest market segment, homeowner improvements, declined 17 percent from 2007-2009, with homeowner spending for professionally-installed projects down 15.7 percent compared to a 20.0 percent decline in D-I-Y spending. The number of homeowners undertaking

a remodeling project in 2009 declined only slightly (1.2 percent), but the average annual improvement expenditure fell almost 18 percent to \$2,500 per homeowner.

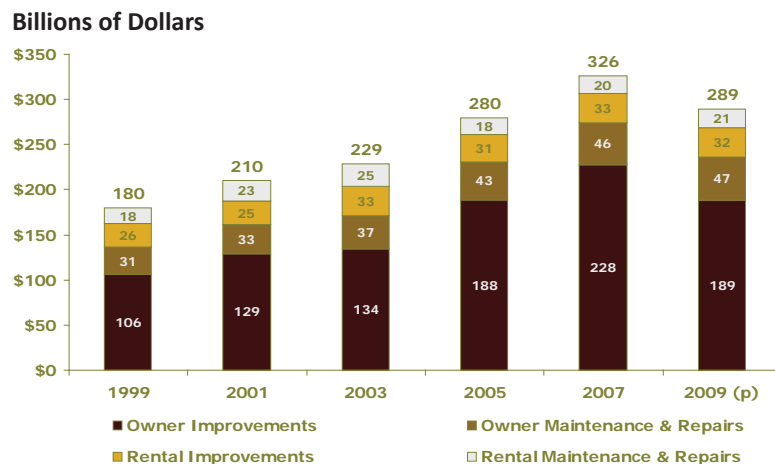
Homeowners also focused less on high-end discretionary spending and more on exterior replacements and systems and equipment upgrades and replacements during the downturn. At the upper-end of the market, the number of individual homeowners spending \$20,000 or more declined 26 percent from 2007, while smaller-scale spending remained flat. As major spenders pulled back, the remodeling market became less concentrated in 2009, where the top five percent of homeowners who undertook a remodeling project comprised 40.9 percent of total improvement expenditure compared to 45.9 percent in 2007 and 49.6 percent in 2005.

Typically, a great deal of remodeling occurs while a home is being prepared for

sale and also in the first couple years after purchase. With the housing market collapse, the number of recent buyers—those who purchased within the past two years—fell 17.5 percent from 2007-2009 and their average spending on home improvements declined nearly 30 percent. However, the number of recent *first-time* buyers fell significantly less, down only 3.6 percent, which was likely due to first-time buyers taking advantage of increased affordability and favorable financing for those who qualified, as well as the significant federal tax credit for first-time homebuyers.

A comprehensive analysis of the remodeling data from the 2009 American Housing Survey will be detailed in the Joint Center's upcoming remodeling report, *Improving America's Housing 2011*, to be released at the National Association of Home Builders' *International Builders' Show* in January 2011.

**Preliminary Estimates Show Owner Maintenance and Rental Remodeling Helped Buoy Market in 2009**



Notes: 2009 estimates for owner-occupied improvements and repairs are subject to revision. With the discontinuation of the C-50 in 2007, remodeling spending on rental units was estimated using the rates of change in alterations to commercial and industrial buildings and median asking rents for 2009. Sources: JCHS tabulations of the 1999-2009 American Housing Surveys; the US Department of Commerce Survey of Expenditures for Residential Improvement and Repairs (C-50); and Estimating National Levels of Home Improvement and Repair Spending by Rental Property Owners, JCHS Research Note, forthcoming.

## SPENDING ON ENERGY-RELATED PROJECTS HELPED BUFFER THE REMODELING DOWNTURN

While remodeling spending for homeowners decreased between 2007 and 2009, energy sensitive projects associated with green remodeling—such as improving insulation, replacing windows, and updating HVAC systems—have fared better with smaller declines. Nationally, household spending for all projects fell by 9 percent per year on average, but energy-related spending fell by only 5 percent.

Energy-related spending also varied widely across metropolitan areas, where some even had growth and many had spending fall less than total remodeling expenditures. Of the 15 largest metropolitan areas in terms of remodeling over 2000 to 2009, 13 saw increases or smaller declines in energy-related projects compared to the national average of total remodeling spending. As a result, energy-related remodeling accounted for a larger share of total remodeling expenditures. A breakdown of remodeling by project type shows that the share of energy-related remodeling increased from 26 percent in 2007 to 30 percent in 2009.

## PROGRAM UPDATE

The 2009 American Housing Survey was released in June by the Department of Housing and Urban Development, so we're busy looking over what it is telling us about remodeling activity in 2008 and 2009. As you can see from preliminary analysis presented in this newsletter, as steep as the downturn was, it doesn't appear to have been as devastating as we originally feared. And our Q2-2010 LIRA released in mid-July indicates that the upturn in remodeling spending may be stronger than we originally expected as we begin to move into 2011. This scenario obviously depends on what impact the broader economy has on the indicators that we use to compute the LIRA, so we'll be closely monitoring these trends over the next few months.

As we begin work on our next remodeling report—which will be released at the *International Builders' Show* in Orlando next January—we are also beginning to plan activities for our 2011 to 2012 program. We had a very productive call in late June with several members of our Remodeling Futures Steering Committee to discuss potential new members for the program. As the industry evolves, we need to make sure that these changes are reflected in the composition of our Steering Committee. In mid-August we will be convening a meeting with a number of our members to discuss our research agenda for the next two years of the program. We're expecting a lot of good ideas for topics that we should be researching in this ever-changing industry.

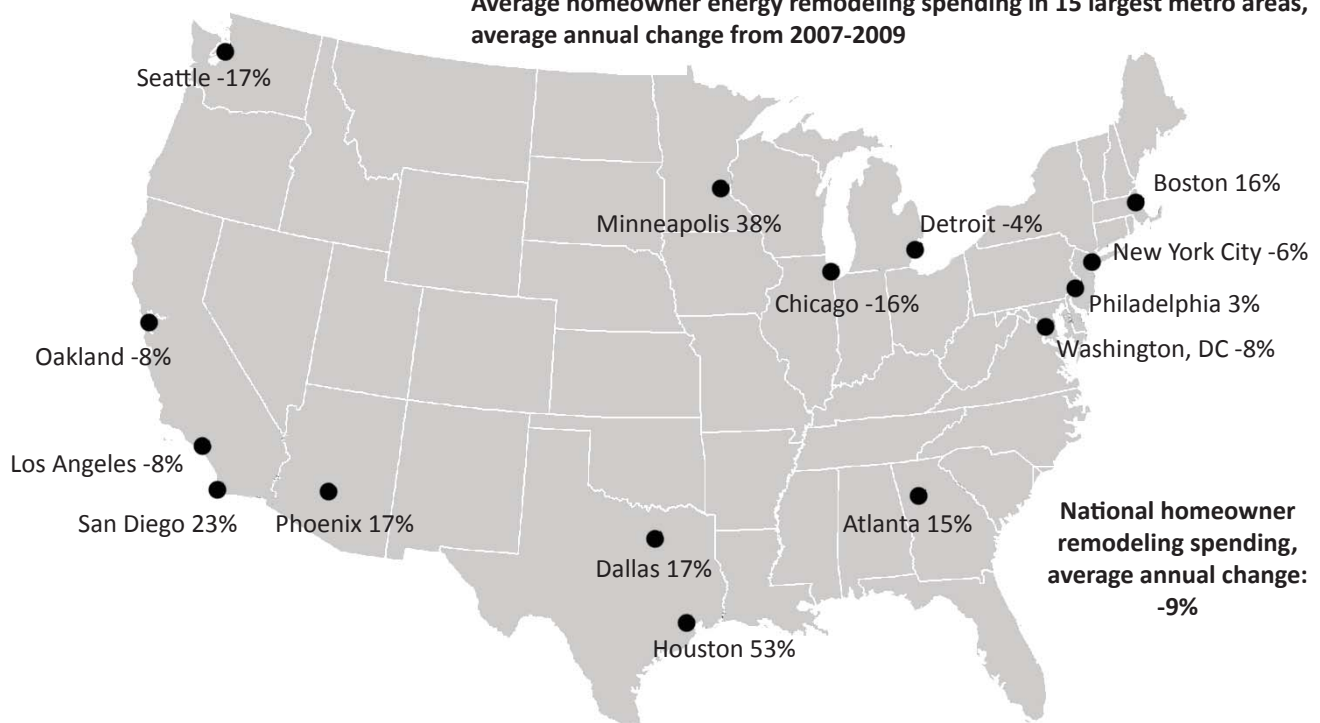
Kermit Baker

Energy sensitive projects may have been less affected in the downturn because government stimulus programs have provided new or expanded tax credits and grants for weatherization and energy efficiency improvements. Although the main federal tax credit that covers energy efficiency equipment is set to expire at

the end of the year, other motivations for energy-related remodeling remain such as utility costs savings and general environmental stewardship. How green interest and incentives translate to spending will be further explored in the upcoming remodeling report.

### IN MOST MAJOR METROPOLITAN AREAS, SPENDING ON ENERGY SENSITIVE PROJECTS FARED BETTER THAN ON OTHER REMODELING PROJECTS

Average homeowner energy remodeling spending in 15 largest metro areas, average annual change from 2007-2009



Note: Energy-sensitive remodeling projects defined as insulation, HVAC, roofing, siding, window, and door projects.  
Source: JCHS tabulations of the 2007 and 2009 American Housing Surveys.

## UPCOMING MEETINGS

Tuesday, November 9, 2010  
Tuesday, April 5, 2011  
Tuesday, November 1, 2011

9:00 AM- 4:00 PM  
Cambridge, Massachusetts

## MEMBERSHIP UPDATE

We are pleased to announce the newest member of the Remodeling Futures Steering Committee, **Power Windows and Siding, Inc.** Power Windows and Siding provides replacement windows, vinyl siding, and gutter protection for homeowners in Pennsylvania, New Jersey, Delaware and Maryland. They will be represented by Adam Kaliner, President-CFO and Jeffrey Kaliner, Chief Executive Officer.

We look forward to working with Power Windows and Siding in the coming year.

As we prepare for the next research phase of the Remodeling Futures Program we are also beginning to recruit new committee members. If you know of any companies that should be considered for our program please contact Kermit Baker or Angela Flynn.

## REMODELING FUTURES PROGRAM TEAM

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## 2009/2010 STEERING COMMITTEE MEMBERS

### AARP

Amy Levner, David Shotwell

### American Exteriors, LLC

Larry Meadows, Ed Rand

### Andersen Corporation

Dennis Neumann, Blaine Verdoorn

### Armstrong World Industries

Stacey Robertson

### Builders FirstSource

David Snyder

### Building Supply Channel, Inc.

Greg Brooks

### Case Design/Remodeling, Inc.

Fred Case, Bruce Case, Mark Richardson

### CertainTeed Corporation

Rosemary Hayn

### CertaPro Group

Charlie Chase

### Cygnus Business Media

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Christine Coffin, Maureen McGeehan

### Fannie Mae

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### Fortune Brands Home & Hardware

Jerry Oleshansky, Jack Suvak

### Freddie Mac

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Bruce Christensen, Jeff Shawd

### Hanley Wood, LLC

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Michael Bozich, Thomas Rapps

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### Home Improvement Research Institute

Fred Miller

### James Hardie Industries NV

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### Johns Manville Corporation

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### Kohler Co.

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### LeafGuard by Beldon Inc.

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### Masco Corporation

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### McGraw-Hill Construction

Anita Gryan, Burleigh Morton

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Arun Barman, Paul Bishop

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### Remodeling Industry

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John Kemp

### Owens Construction

Bill Owens

### Owens Corning

Joe Ochoa

### Pella Corporation

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### Ply Gem Industries, Inc.

Jerry Blais

### Power Windows & Siding, Inc.

Adam Kaliner, Jeffrey Kaliner

### Pro-Build Holdings, Inc.

Lisa Peterson, George Finkenstaedt

### Rebuilding Together

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### Robert Bowden, Inc.

Steve Cole, Nick Massengill

### ServiceMagic

Kirstin Marr, Kirk Schreck

### The Sherwin-Williams Company

John G. Morikis, Mark Sposito

### Specpan/The Farnsworth Group

Leah Ballou, Grant Farnsworth

### Steves & Sons, Inc.

Edward Galt Steves, Sam Bell Steves, II

### Stock Building Supply

David Corna

### Temple-Inland, Inc.

Richard Kenley, George Rose

### TW Perry

Michael Cassidy

### U.S. Census Bureau

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### Urban Development

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### U.S. Home Systems, Inc.

Murray Gross

### USG Corporation

Sylvia Kellogg

### Wells Fargo Financial Retail Services, Inc.

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Jim Krausneck